

**NORTH MAHASKA COMMUNITY SCHOOL DISTRICT**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS  
June 30, 2011**



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**North Mahaska Community School District  
Board of Education and School District Officials  
Year ended June 30, 2011**

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<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
Dan Gruber	President	2013
Dirk Wilkin	Vice President	2011
Marvin Knoot	Board Member	2011
Tina Layman	Board Member	2011
Jeani Phillips	Board Member	2013
<b>School District Officials</b>		
Randy Moffit	Superintendent	2011
Gloria Bartlett	District Secretary/Treasurer	2011
Ron Peeler	Attorney	Indefinite



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**Van Maanen, Sietstra & Meyer, PC**  
CERTIFIED PUBLIC ACCOUNTANTS

## **Independent Auditor's Report**

To the Board of Education  
North Mahaska Community School District  
New Sharon, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Mahaska Community School District, New Sharon, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Mahaska Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2011 on our consideration of North Mahaska Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 12 and 37 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Mahaska Community School District's basic financial statements. Another CPA firm previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2008 and we audited the financial statements for the two years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Van Maanen, Sietstra & Meyer, PC*

Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

October 17, 2011

This section of the North Mahaska Community School District's financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2011. The analysis focuses on school district financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### **Financial Highlights**

- The General Fund June 30, 2011 balance increased to \$400,787 from the June 30, 2010 fund balance of \$144,662. The increase resulted from a cash reserve levy put in place to make up for the 10% across the board state cut and an error in special education reporting that the state was unwilling to correct. Authority was returned for the special education error, but not the cash.
- The District's tax levy was lowered from \$13.98 to \$13.01 when a lower cash reserve levy amount was needed. The tax levy remained low compared to many districts in Iowa. SILO funds that were used to lower the tax rate required to pay debt service requirements continues to keep property taxes lower. The debt was refinanced for a savings of over \$60,000 to the district. An instructional support levy was passed by the board but recalled by voters.
- Special education posted a negative balance for 2009-2010 due to additional costs of identified students. A cash reserve was levied to make up the negative balance. The total amount of this cash reserve levy was \$130,137 to be collected in the 2011-12 school year.
- The district experienced an enrollment increase of 9.8 students from the previous year. With 2% allowable growth, the district continued to utilize the budget guarantee.
- The capital project funds were used in the construction of a new preschool building in 2007-08 and 2008-09. The building was occupied in January of 2009. This project depleted the SILO funds, and they were recovered during the 2009-10 and 2010-11 school years. Because of this and lower payments for debt service, a larger portion of the SILO funds will be available to fund a planned one-to-one lap top program.

### **Overview of the Financial Statements**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements (district-wide and fund statements) including notes to the financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The statement of net assets and statement of activities provide information on a district-wide basis. The statements present an aggregate view of the District's finances. District-wide statements contain useful long-term information as well as information for the just-completed fiscal year.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short- and long- term financial information about the activities the District operates like businesses, such as food services.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

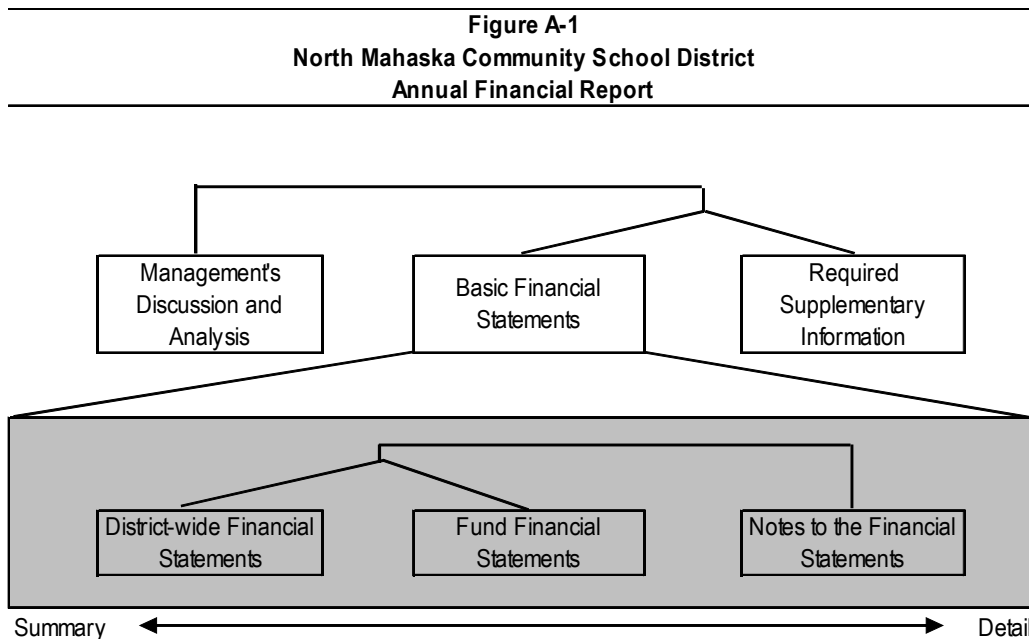


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

<b>Figure A-2</b> <b>Major Features of the District-Wide and Fund Financial Statements</b>				
	District-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required Financial Statements	> Statement of net assets > Statement of activities	> Balance Sheet > Statement of revenues, expenditures, and changes in fund balances	> Statement of net assets > Statement of revenues, expenses and changes in fund net assets > Statement of cash flows	> Statement of fiduciary net assets > Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



### **District-Wide Financial Statements**

The District-wide statements report information about the District as a whole using accounting methods similar to those provided by private sector companies. The statement of net assets includes all of the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's overall financial position. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall financial condition of the District additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities should be considered.

In the District-wide financial statements, the District's activities are divided into two categories:

- Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.
- Business-type activities: The District charges fees to help it cover the costs of certain services it provides. The District's food service program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

- Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash, and other financial assets that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The District's governmental funds include the General Fund, Debt Service Fund, Capital Projects Fund and Special Revenue Funds.
- Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.
- Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others, such as a scholarship fund. The District accounts for outside donations to specific District schools for specific purposes in this fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

**North Mahaska Community School District  
Management's Discussion and Analysis  
June 30, 2011**

- Private-Purpose Trust Fund – The District accounts for outside donations for Scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases. The District has only one Agency Fund which holds employee funds contributed by employees through payroll for use in the medical and dependent care flexible spending program.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

<b>Figure A-3 Condensed Statement of Net Assets</b>							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$ 4,565,569	4,244,662	63,878	100,520	4,629,447	4,345,182	6.5%
Capital assets	5,380,008	5,420,840	3,296	7,817	5,383,304	5,428,657	-0.8%
Total assets	9,945,577	9,665,502	67,174	108,337	10,012,751	9,773,839	2.4%
Long-term liabilities	1,037,170	1,424,592	3,961	1,973	1,041,131	1,426,565	-27.0%
Other liabilities	2,806,930	2,846,835	313	1,338	2,807,243	2,848,173	-1.4%
Total liabilities	3,844,100	4,271,427	4,274	3,311	3,848,374	4,274,738	-10.0%
Net assets:							
Invested in capital assets, net of related debt	4,495,008	4,170,840	3,296	7,817	4,498,304	4,178,657	7.6%
Restricted	1,444,623	1,258,885	-	-	1,444,623	1,258,885	14.8%
Unrestricted	161,846	(35,650)	59,604	97,209	221,450	61,559	259.7%
Total net assets	\$ 6,101,477	5,394,075	62,900	105,026	6,164,377	5,499,101	12.1%

**North Mahaska Community School District  
Management's Discussion and Analysis  
June 30, 2011**

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

<b>Figure A-4 Changes in Net Assets</b>							
	Governmental Activities		Business type Activities		Total District		Total Change
	Year ended June 30,		Year ended June 30,		Year ended June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues:							
Program revenues:							
Charges for service	\$ 614,629	598,552	121,923	118,698	736,552	717,250	2.7%
Operating grants, contributions and restricted interest	996,301	1,198,729	132,937	129,457	1,129,238	1,328,186	-15.0%
General revenues:							
Property tax	2,464,879	2,159,156	-	-	2,464,879	2,159,156	14.2%
Local option sales and service tax	531,121	457,475	-	-	531,121	457,475	16.1%
Unrestricted state grants	1,780,183	1,528,258	-	-	1,780,183	1,528,258	16.5%
Unrestricted investment earnings	1,834	1,828	32	41	1,866	1,869	-0.2%
Other	185,045	54,045	-	-	185,045	54,045	242.4%
Total revenues	6,573,992	5,998,043	254,892	248,196	6,828,884	6,246,239	9.3%
Program expenses:							
Governmental activities:							
Instruction	3,823,484	3,951,011	-	-	3,823,484	3,951,011	-3.2%
Support services	1,629,574	1,547,803	-	-	1,629,574	1,547,803	5.3%
Non-instructional programs	5,000	8,115	297,018	223,790	302,018	231,905	30.2%
Other expenses	408,532	472,144	-	-	408,532	472,144	-13.5%
Total expenses	5,866,590	5,979,073	297,018	223,790	6,163,608	6,202,863	-0.6%
Change in net assets	\$ 707,402	18,970	(42,126)	24,406	665,276	43,376	1433.7%

Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2011 compared to the year ended June 30, 2010.

<b>Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)</b>						
	Total Cost of Services		Change	Net Cost of Services		Change
	2,011	2010	2010-2011	2,011	2010	2010-2011
Instruction	\$ 3,823	3,951	-3.2%	2,441	2,379	2.6%
Support services	1,630	1,548	5.3%	1,617	1,537	5.2%
Non-instructional programs	5	8	-37.5%	5	8	-37.5%
Other expenses	409	472	-13.3%	192	258	-25.6%
Totals	\$ 5,867	5,979	-1.9%	4,255	4,182	1.7%

### **Governmental Activities**

Revenues for governmental activities were \$6,573,992 and expenses were \$5,866,590. The District saw an increase in total net assets of \$707,402. The increase was due to the recovery of lost funding through the cash reserve levy, maintaining capital asset levels while debt balances have decreased, maintenance of positive open enrollment revenues, and the collection of statewide sales, service and use tax monies.

### **Business Type Activities**

Revenues for business type activities were \$254,892 and expenses were \$297,018. Net assets decreased \$42,126 from \$105,026 to \$62,900. The decrease was due primarily to making up a late transfer of funds to the general fund after June 30, 2010. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal, and state reimbursements and investment income. The District voted to increase meal prices for the 2010-11 school year to cover the rising expenses in the School Nutrition Fund. They remained at that level for 2011-12 and will likely be increased again for 2012-13.

### **INDIVIDUAL FUND ANALYSIS**

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$1,766,242 which is \$408,621 more than the balance of \$1,357,621 at the beginning of the year.

The individual fund analysis basically goes through each of the major school funds and tries to put in simple terms where they are and where we may want to go with them during the coming year. Please keep in mind that it is a snap shot picture of finances on June 30 of each year. The figures represent our modified accrual position on June 30, 2011, compared with where we were on June 30, 2010. You can find these figures in the June reports on expenditures, revenues, and fund balances. North Mahaska Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Fund Highlights**

#### **General Operating Fund**

In the General Fund, we had revenues and other financing sources of \$5,396,032. We had expenditures and other financing uses of \$5,139,907. Therefore, we ended the year \$256,125 in the black. We started the year with a balance of \$144,662, so we ended the year with a balance of \$400,787. The increase was due predominantly to the cash reserve levy to make up the special education error sited earlier in this report and the state 10% cut.

#### **Management Fund**

In the Management Fund, we expended \$174,924 and had revenues of \$183,775 meaning we spent \$8,851 less than we received. Because we started the year with \$51,702, we ended the year with a balance of \$60,553. Approximately \$176,000 will be added to this fund through the Management Levy passed for the 2011-12 budget. This is an increase started the previous year because the board initiated an early retirement program and experienced unemployment claims during 2010-11. The fund is now used for the early retirement program, insurance premiums and unemployment claims. Money from this fund can be spent on insurance (other than employee health), tort liability claims, unemployment claims, and qualifying early retirement payments

#### **Physical Plant and Equipment Levy (PPEL)**

In PPEL we expended \$78,238 and received \$58,253 meaning we were \$19,985 in the red. Since we started the year with \$89,820, we finished with a balance of \$69,835. A new bus was the only purchase made in 2010-11. We will continue to use PPEL to purchase school buses with one planned for the 2011-12 fiscal year.

## Capital Projects

We started the year with a balance of \$806,410 in all capital projects funds. We have expended \$533,781 primarily on debt service. We have received \$684,415 during the past year. The balance is now \$957,044 (an increase of \$150,634). The increase is primarily due to lower spending to make up for previous expenditures for the preschool. This fund balance, which decreased sharply as expenditures were made for the new day care / preschool facility in the 2008-09 fiscal year, was built back up during the 2009-10 and 2010-11 fiscal years.

## Activity Fund

The activity fund is a conglomerate of many different minor funds from athletics and music to class treasuries. The fund is in good condition over all. The beginning balance last July was \$123,106. At the end of June, it was \$129,691. The balance can fluctuate quite a bit depending on what projects are going on and when money is being paid out. This is not a fund in which you are trying to make money, but you like to keep a healthy balance to cover cash flow during the year. Most of the accounts are revolving in nature in that organizations use them for their activities. In the athletic part of the budget, some sports ran in the red, but others ran in the black.

## Proprietary Fund Highlights

### Nutrition Fund

The nutrition fund started the year with a balance of \$105,026. Revenues for the year totaled \$254,892 while expenditures totaled \$297,018 leaving a balance of \$62,900 - a difference of \$42,126 in the red. The decrease was due primarily to the late payment transfer of funds to the general fund after June 30, 2010. This account has been doing well and supporting itself. Prices were increased for 2010-11 and remained at that level for 2011-12. They will likely be increased for 2012-13 due to increased wages and food costs for new nutritional standards.

### Budgetary Highlights

Total expenditures were less than budgeted. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

On June 30, 2011, the District had invested \$5,383,304, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$254,167.

The original cost of the District's capital assets was \$8,771,268. Of this amount \$169,413 was in the Proprietary, School Lunch Fund.

**Figure A-6**  
**Capital Assets, net of Depreciation**  
**(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 95	95	-	-	95	95	0.0%
Buildings	4,587	4,724	-	-	4,587	4,724	-2.9%
Improvements other than buildings	344	359	-	-	344	359	-4.2%
Furniture and equipment	354	243	3	8	357	251	42.2%
Totals	\$ 5,380	5,421	3	8	5,383	5,429	-0.8%

## Long-Term Debt

On June 30, 2011, the District had \$885,000 in general obligation bonds. This represents a decrease of approximately 29% from the previous year. Additional information about the District's long-term debt is presented in Note 5 to the financial statements. Refinancing of the district bonds resulted in a savings of over \$60,000 for the life of the bonds.

<b>Figure A-7</b>			
<b>Outstanding Long-Term Obligations</b>			
<b>(Expressed in Thousands)</b>			
	Total District		Total Change
	June 30,		June 30,
	2011	2010	2010-2011
General obligation bonds	\$ 885	1,250	-29.2%
Early retirement	66	125	-47.2%
Compensated absences	18	16	12.5%
Other postemployment benefits	68	34	100.0%
Totals	\$ 1,037	1,425	-27.2%

## Factors Bearing on the District's Future

The District remains in sound financial condition. The one cent statewide sales, service and use tax will continue to be a big help for many projects with a smaller amount required to retire the debt. The general fund experienced a huge decrease in the previous year due to the special education error and the 10% cut. Decreasing enrollment, state economic conditions, and future state cuts will further deplete the general fund forcing cutbacks in future years. In 2010-11 the District had a slight increase in enrollment and recovered lost funding through the cash reserve levy. This has stabilized finances, however, projected enrollment decreases will continue to put a strain on the general fund. In addition, there will be no more ARRA (stimulus) money available to supplement budget shortfalls. The cost of insurance was higher than previous years, and future projections appear to be higher. All of these factors will keep the District in a tight budgeting environment. With a further decrease in enrollment and 0% allowable growth, some of the factors enjoyed by the district in the past will not be present in the near future. This will require a combination of cuts in staff and other expenditures and finding additional funding. In the past three years, the District has cut 4.5 teaching positions.

## Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gloria Bartlett, Business Manager, or Randy Moffit, Superintendent, North Mahaska Community School, P.O. Box 89, New Sharon, Iowa 50207.

## **Basic Financial Statements**

**North Mahaska Community School District**  
**Statement of Net Assets**  
**June 30, 2011**

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,905,726	57,524	1,963,250
Receivables:			
Property tax:			
Delinquent	24,954	-	24,954
Succeeding year	2,392,482	-	2,392,482
Accounts	53,192	131	53,323
Due from other governments	183,626	-	183,626
Inventories	-	6,223	6,223
Bond issuance costs	5,589	-	5,589
Capital assets, net of accumulated depreciation	5,380,008	3,296	5,383,304
<b>Total assets</b>	<b>9,945,577</b>	<b>67,174</b>	<b>10,012,751</b>
<b>Liabilities</b>			
Excess of warrants over bank balance	87,423	-	87,423
Accounts payable	114,349	313	114,662
Salaries and benefits payable	16,205	-	16,205
Due to other governments	-	-	-
Accrued interest payable	3,224	-	3,224
Unearned revenue:			
Succeeding year property tax	2,392,482	-	2,392,482
Other	103,279	-	103,279
Long-term liabilities:			
Portion due within one year:			
Early retirement	80,000	-	80,000
General obligation bonds payable	365,000	-	365,000
Compensated absences	17,607	-	17,607
Portion due after one year:			
Early retirement	66,250	-	66,250
Bond premium	9,968	-	9,968
General obligation bonds payable	520,000	-	520,000
Net OPEB liability	68,313	3,961	72,274
<b>Total liabilities</b>	<b>3,844,100</b>	<b>4,274</b>	<b>3,848,374</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	4,495,008	3,296	4,498,304
Restricted for:			
Management levy purposes	60,553	-	60,553
Physical plant and equipment	69,835	-	69,835
Debt service	214,943	-	214,943
Capital projects	887,209	-	887,209
Student activities	129,691	-	129,691
Categorical funding	82,392	-	82,392
Unrestricted	161,846	59,604	221,450
<b>Total net assets</b>	<b>\$ 6,101,477</b>	<b>62,900</b>	<b>6,164,377</b>

See notes to financial statements.



**North Mahaska Community School District**  
**Statement of Activities**  
**Year ended June 30, 2011**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
<b>Functions/Programs</b>						
Governmental activities:						
Instruction:						
Regular	\$ 2,511,351	221,732	440,334	(1,849,285)	-	(1,849,285)
Special	634,526	70,792	318,257	(245,477)	-	(245,477)
Other	677,607	322,105	9,332	(346,170)	-	(346,170)
	<u>3,823,484</u>	<u>614,629</u>	<u>767,923</u>	<u>(2,440,932)</u>	<u>-</u>	<u>(2,440,932)</u>
Support Service:						
Student	72,247	-	-	(72,247)	-	(72,247)
Instructional staff	276,469	-	-	(276,469)	-	(276,469)
Administration	561,667	-	-	(561,667)	-	(561,667)
Operating and maintenance of plant	378,628	-	-	(378,628)	-	(378,628)
Transportation	340,563	-	12,106	(328,457)	-	(328,457)
	<u>1,629,574</u>	<u>-</u>	<u>12,106</u>	<u>(1,617,468)</u>	<u>-</u>	<u>(1,617,468)</u>
Non-instructional programs	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>(5,000)</u>	<u>-</u>	<u>(5,000)</u>
Other expenditures:						
Facilities acquisition	16,661	-	-	(16,661)	-	(16,661)
Long-term debt interest	25,198	-	-	(25,198)	-	(25,198)
AEA flowthrough	216,272	-	216,272	-	-	-
Depreciation (unallocated)*	150,401	-	-	(150,401)	-	(150,401)
	<u>408,532</u>	<u>-</u>	<u>216,272</u>	<u>(192,260)</u>	<u>-</u>	<u>(192,260)</u>
Total governmental activities	<u>5,866,590</u>	<u>614,629</u>	<u>996,301</u>	<u>(4,255,660)</u>	<u>-</u>	<u>(4,255,660)</u>
Business type activities:						
Non-instructional programs:						
Food service operations	297,018	121,923	132,937	-	(42,158)	(42,158)
	<u>297,018</u>	<u>121,923</u>	<u>132,937</u>	<u>-</u>	<u>(42,158)</u>	<u>(42,158)</u>
Total primary government	<u>\$ 6,163,608</u>	<u>736,552</u>	<u>1,129,238</u>	<u>(4,255,660)</u>	<u>(42,158)</u>	<u>(4,297,818)</u>

Exhibit B

**North Mahaska Community School District**  
**Statement of Activities**  
**Year ended June 30, 2011**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
Totals continued from previous pages	\$ 6,163,608	736,552	1,129,238	(4,255,660)	(42,158)	(4,297,818)
General Revenues:						
Property tax levied for:						
General purposes				2,406,688	-	2,406,688
Capital outlay				58,191	-	58,191
Statewide sales, services and use tax				531,121	-	531,121
Unrestricted state grants				1,780,183	-	1,780,183
Unrestricted investment earnings				1,834	32	1,866
Other				185,045	-	185,045
Total general revenues				4,963,062	32	4,963,094
Change in net assets				707,402	(42,126)	665,276
Net assets beginning of year				5,394,075	105,026	5,499,101
Net assets end of year	\$	6,101,477	62,900			6,164,377

\* This amount excludes the depreciation included in the direct expenses of the various programs

See notes to financial statements.

**North Mahaska Community School District**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

	General	Debt Service	Capital Projects	Non-major Governmental	Total
<b>Assets</b>					
Cash and pooled investments	\$ 609,767	218,167	808,580	269,212	1,905,726
Receivables:					
Property tax:					
Current year delinquent	22,581	-	589	1,784	24,954
Succeeding year	2,133,234	-	60,680	198,568	2,392,482
Accounts	8,158	-	45,034	-	53,192
Due from other governments	78,238	-	105,388	-	183,626
<b>Total assets</b>	<b>\$ 2,851,978</b>	<b>218,167</b>	<b>1,020,271</b>	<b>469,564</b>	<b>4,559,980</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Excess of warrants over bank balance	\$ 87,423	-	-	-	87,423
Accounts payable	111,050	-	2,547	752	114,349
Salaries and benefits payable	16,205	-	-	-	16,205
Early retirement payable	-	-	-	80,000	80,000
Deferred revenue:					
Succeeding year property tax	2,133,234	-	60,680	198,568	2,392,482
Other	103,279	-	-	-	103,279
<b>Total liabilities</b>	<b>2,451,191</b>	<b>-</b>	<b>63,227</b>	<b>279,320</b>	<b>2,793,738</b>
Fund balances:					
Restricted for:					
Categorical funding	82,392	-	-	-	82,392
Debt service	-	218,167	-	-	218,167
Management levy purposes	-	-	-	60,553	60,553
Student activities	-	-	-	129,691	129,691
School infrastructure	-	-	887,209	-	887,209
Physical plant and equipment	-	-	69,835	-	69,835
Unassigned	318,395	-	-	-	318,395
<b>Total fund balances</b>	<b>400,787</b>	<b>218,167</b>	<b>957,044</b>	<b>190,244</b>	<b>1,766,242</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,851,978</b>	<b>218,167</b>	<b>1,020,271</b>	<b>469,564</b>	<b>4,559,980</b>

See notes to financial statements.

Exhibit D

**North Mahaska Community School District  
Reconciliation of the Balance Sheet  
Governmental Funds to the Statement of Net Assets  
June 30, 2011**

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<b>Total fund balances of governmental funds (Exhibit C)</b>	<b>\$ 1,766,242</b>
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***Amounts reported for governmental activities in the  
statement of net assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,380,008
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(3,224)
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Long-term liabilities, including bonds payable, bond premiums and issuance costs, early retirement, compensated absences and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,041,549)</u>
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<b>Net assets of governmental activities (Exhibit A)</b>	<b><u>\$ 6,101,477</u></b>
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See notes to financial statements.

## Exhibit E

**North Mahaska Community School District**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year ended June 30, 2011**

	General	Debt Service	Capital Projects	Non-major Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 2,230,447	-	589,312	176,241	2,996,000
Tuition	266,605	-	-	-	266,605
Other	119,441	244	95,078	329,668	544,431
Intermediate sources	7,378	-	-	-	7,378
State sources	2,504,661	-	25	75	2,504,761
Federal sources	265,400	-	-	-	265,400
Total revenues	5,393,932	244	684,415	505,984	6,584,575
Expenditures:					
Current:					
Instruction:					
Regular	2,461,365	-	-	104,776	2,566,141
Special	631,048	-	-	-	631,048
Other	351,870	-	-	315,624	667,494
	3,444,283	-	-	420,400	3,864,683
Support services:					
Student	71,003	-	-	250	71,253
Instructional staff	271,560	-	3,515	250	275,325
Administration	548,211	-	-	9,526	557,737
Operation and maintenance of plant	332,285	-	-	41,432	373,717
Transportation	256,293	-	76,438	13,690	346,421
	1,479,352	-	79,953	65,148	1,624,453
Non-instructional programs	-	-	-	5,000	5,000
Other expenditures:					
Facilities acquisition	-	-	75,257	-	75,257
Long-term debt:					
Principal	-	365,000	-	-	365,000
Interest and fiscal charges	-	27,389	-	-	27,389
AEA flowthrough	216,272	-	-	-	216,272
	216,272	392,389	75,257	-	683,918
Total expenditures	5,139,907	392,389	155,210	490,548	6,178,054
Excess (deficiency) of revenues over (under) expenditures	254,025	(392,145)	529,205	15,436	406,521
Other financing sources (uses):					
Proceeds from sale of assets	2,100	-	-	-	2,100
Operating transfers in (out)	-	378,571	(378,571)	-	-
Total other financing sources (uses)	2,100	378,571	(378,571)	-	2,100
Net change in fund balances	256,125	(13,574)	150,634	15,436	408,621
Fund balances beginning of year, as restated	144,662	231,741	806,410	174,808	1,357,621
Fund balances end of year	\$ 400,787	218,167	957,044	190,244	1,766,242

See notes to financial statements.

Exhibit F

**North Mahaska Community School District**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds to the Statement of Activities**  
**Year ended June 30, 2011**

<b>Net change in fund balances - total governmental funds (Exhibit E)</b>	\$	408,621
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***Amounts reported for governmental activities in the statement of activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$	221,497	
Depreciation expense		(249,646)	
Sale of equipment		(2,100)	
Loss on disposal of assets		(10,583)	(40,832)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Also governmental funds report the effect of bond issuance costs and premiums, whereas these amounts are deferred and amortized in the Statement of Activities. Current year items are as follows:

Bond principal repaid	365,000	
Amortization of bond premiums	1,994	
Amortization of bond issuance costs	(1,118)	365,876

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	1,315
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows.

Early retirement	8,750	
Compensated absences	(2,042)	
Other postemployment benefits	(34,286)	(27,578)

<b>Change in net assets of governmental activities (Exhibit B)</b>	<b>\$</b>	<b>707,402</b>
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See notes to financial statements.

**North Mahaska Community School District**  
**Statement of Net Assets**  
**Proprietary Fund**  
**June 30, 2011**

	School Nutrition
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 57,524
Accounts receivable	131
Inventories	6,223
Total current assets	<u>63,878</u>
Non-current assets:	
Property and equipment:	
Machinery and equipment	169,413
Accumulated depreciation	<u>(166,117)</u>
Total non-current assets	<u>3,296</u>
<b>Total assets</b>	<u><u>67,174</u></u>
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	313
Net OPEB liability	<u>3,961</u>
<b>Total current liabilities</b>	<u>4,274</u>
<b>Net Assets</b>	
Invested in capital assets	3,296
Unrestricted	<u>59,604</u>
<b>Total net assets</b>	<u><u>\$ 62,900</u></u>

See notes to financial statements.

Exhibit H

**North Mahaska Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**  
**Year ended June 30, 2011**

	School Nutrition
Operating revenue:	
Local sources:	
Charges for services	\$ 121,923
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	105,043
Benefits	59,681
Purchased services	5,346
Supplies	122,427
Depreciation	4,521
Total operating expenses	297,018
Operating loss	(175,095)
Non-operating revenue:	
Interest income	32
State sources	2,698
Federal sources	130,239
Total non-operating revenue	132,969
Change in net assets	(42,126)
Net assets beginning of year	105,026
Net assets end of year	\$ 62,900

See notes to financial statements.



## Exhibit I

**North Mahaska Community School District**  
**Statement of Cash Flows**  
**Proprietary Fund**  
**Year ended June 30, 2011**

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 121,792
Cash payments to employees for services	(162,736)
Cash payments to suppliers for goods or services	(112,191)
Net cash used by operating activities	<u>(153,135)</u>
Cash flows from non-capital financing activities:	
State grants received	2,698
Federal grants received	114,418
Net cash provided by non-capital financing activities	<u>117,116</u>
Cash flows from investing activities:	
Interest on investments	<u>32</u>
Net decrease in cash and cash equivalents	(35,987)
Cash and cash equivalents at beginning of year	<u>93,511</u>
Cash and cash equivalents at end of year	<u><u>\$ 57,524</u></u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (175,095)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	15,821
Depreciation	4,521
(Increase) in accounts receivable	(131)
Decrease in inventories	786
(Decrease) in accounts payable	(1,025)
Increase in other postemployment benefits	1,988
Net cash used by operating activities	<u><u>\$ (153,135)</u></u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>	
Current assets:	
Cash	\$ 57,524
Cash and cash equivalents at year end	<u><u>\$ 57,524</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2011, the District received federal commodities valued at \$15,821.

See notes to financial statements.

Exhibit J

**North Mahaska Community School District  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2011**

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Cash and pooled investments	\$ 285,015	6,250
<b>Total assets</b>	285,015	6,250
<b>Liabilities</b>		
Accounts payable	-	6,250
<b>Total liabilities</b>	-	6,250
<b>Net assets</b>		
Reserved for scholarships	285,015	-
<b>Total net assets</b>	\$ 285,015	-

See notes to financial statements.

Exhibit K

**North Mahaska Community School District**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**Year ended June 30, 2011**

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 2,300
Interest income	7,844
Total revenues	<u>10,144</u>
Deductions:	
Instruction:	
Scholarships awarded	12,700
Support services:	
Administration	988
Total expenditures	<u>13,688</u>
Change in net assets	(3,544)
Net assets beginning of year	<u>288,559</u>
Net assets end of year	<u><u>\$ 285,015</u></u>

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

North Mahaska Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of New Sharon, Iowa and the predominate agricultural territory in Mahaska and Poweshiek counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, North Mahaska Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The North Mahaska Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Mahaska County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

**Governmental Fund Types:** Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

**Proprietary Fund Types:** Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The following enterprise fund of the District is considered non-major:

School Nutrition Fund: This fund accounts for transactions related to the school lunch, breakfast and summer food programs authorized by Iowa Code 283A.

**Fiduciary Fund Types:** Fiduciary funds focus on net assets and changes in net assets. The District's fiduciary funds include the following:

Private Purpose Trust Fund: This fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

Agency Fund: This fund is used to account for assets held by the District as an agent for individuals, private organizations, and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2010.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-40 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred and Unearned Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as the succeeding year's property tax receivable.

Unearned revenue in the Statement of Net Assets consists of unspent grant proceeds as well as the succeeding year's property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2011. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

*Restricted* – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

*Committed* – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.



*Unassigned* – All amounts not included in other spendable classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$1,559,256

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk: The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

**(3) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
Debt service	Capital projects	\$ 378,571
		<u>\$ 378,571</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 95,250	-	-	95,250
Total capital assets not being depreciated	95,250	-	-	95,250
Capital assets being depreciated:				
Buildings	6,536,466	8,420	8,215	6,536,671
Improvements other than buildings	897,382	11,400		908,782
Furniture and equipment	978,798	201,677	119,323	1,061,152
Total capital assets being depreciated	8,412,646	221,497	127,538	8,506,605
Less accumulated depreciation for:				
Buildings	1,813,196	138,209	1,972	1,949,433
Improvements other than buildings	538,185	26,858	-	565,043
Furniture and equipment	735,675	84,579	112,883	707,371
Total accumulated depreciation	3,087,056	249,646	114,855	3,221,847
Total capital assets being depreciated, net	5,325,590	(28,149)	12,683	5,284,758
Governmental activities capital assets, net	\$ 5,420,840	(28,149)	12,683	5,380,008
<b>Business type activities:</b>				
Furniture and equipment	\$ 169,413	-	-	169,413
Less accumulated depreciation	161,596	4,521	-	166,117
Business type activities capital assets, net	\$ 7,817	(4,521)	-	3,296

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 14,129
Other	10,113

Support services:

Instructional staff	150
Administration	264
Operation and maintenance of plant	5,240
Transportation	69,349
	99,245

Unallocated depreciation

	150,401
Total governmental activities depreciation expense	\$ 249,646

Business type activities:

Food services	\$ 4,521
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(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 1,250,000	-	365,000	885,000	365,000
Early retirement	125,000	71,250	50,000	146,250	80,000
Compensated absences	15,565	17,607	15,565	17,607	17,607
Net OPEB liability	34,027	34,286	-	68,313	-
Total	\$ 1,424,592	123,143	430,565	1,117,170	462,607
Business type activities:					
Net OPEB liability	\$ 1,973	1,988	-	3,961	-

General Obligation Bonds

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Bond Issue of April 27, 2010				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2012	2.00%	\$ 365,000	19,342	384,342
2013	2.00%	105,000	12,043	117,043
2014	2.00%	100,000	9,942	109,942
2015	2.15%	110,000	7,943	117,943
2016	2.55%	105,000	5,577	110,577
2017	2.90%	100,000	2,900	102,900
Total		\$ 885,000	57,747	942,747

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$219,243, \$214,082, and \$203,265, respectively, equal to the required contributions for each year.

(7) Other Post-Employment Benefits (OPEB)

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 71 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$	83,000
Interest on net OPEB obligation		1,620
Adjustment to annual required contribution		(1,346)
Annual OPEB cost		83,274
Contributions made		(47,000)
Increase in net OPEB obligation		36,274
Net OPEB obligation beginning of year		36,000
Net OPEB obligation end of year	\$	72,274

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$47,000 to the medical plan. Plan members eligible for benefits were not required to contribute.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 83,000	56.63%	\$ 36,000
June 30, 2011	83,274	56.44%	72,274

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2011, the actuarial accrued liability was \$615,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$615,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,200,000, and the ratio of the UAAL to covered payroll was 19.2%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

**(8) Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$216,272 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	Capital Projects	Special Revenue, Physical Plant and Equipment Levy
Balances June 30, 2010, as previously reported	\$ 716,590	89,820
Change in fund type classification per implementation of GASB Statement No. 54	89,820	(89,820)
Balances July 1, 2010, as restated	\$ 806,410	-

### **Required Supplementary Information**

**North Mahaska Community School District**  
**Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances**  
**Budget and Actual - All Governmental Funds and Proprietary Funds**  
**Required Supplementary Information**  
**Year ended June 30, 2011**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 3,807,036	121,955	3,928,991	3,629,214	3,629,214	299,777
Intermediate sources	7,378	-	7,378	-	-	7,378
State sources	2,504,761	2,698	2,507,459	2,738,592	2,738,592	(231,133)
Federal sources	265,400	130,239	395,639	383,000	383,000	12,639
Total revenues	6,584,575	254,892	6,839,467	6,750,806	6,750,806	88,661
Expenditures:						
Instruction	3,864,683	-	3,864,683	3,870,000	4,108,018	243,335
Support services	1,624,453	-	1,624,453	1,815,800	1,815,800	191,347
Non-instructional programs	5,000	297,018	302,018	330,000	330,000	27,982
Other expenditures	683,918	-	683,918	993,151	993,151	309,233
Total expenditures	6,178,054	297,018	6,475,072	7,008,951	7,246,969	771,897
Excess of revenues over expenditures	406,521	(42,126)	364,395	(258,145)	(496,163)	860,558
Other financing sources, net	2,100	-	2,100	-	-	2,100
Excess of revenues and other financing sources over expenditures	408,621	(42,126)	366,495	(258,145)	(496,163)	862,658
Balances beginning of year	1,357,621	105,026	1,462,647	1,395,421	1,395,421	67,226
Balances end of year	\$ 1,766,242	62,900	1,829,142	1,137,276	899,258	929,884

See accompanying independent auditor's report.

**North Mahaska Community School District**  
**Notes to Required Supplementary Information - Budgetary Reporting**  
**Year ended June 30, 2011**

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This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards* Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$238,018.

During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.



**North Mahaska Community School District**  
**Schedule of Funding Progress for the Retiree Health Plan**  
**Required Supplementary Information**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	615,000	615,000	0.0%	\$ 3,200,000	19.2%
2011	July 1, 2009	-	615,000	615,000	0.0%	3,200,000	19.2%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress

See accompanying independent auditor's report.

## **Other Supplementary Information**

## Schedule 1

**North Mahaska Community School District**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2011**

	Special Revenue Funds		
	Management Levy	Student Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 139,521	129,691	269,212
Receivables:			
Property tax:			
Current year delinquent	1,784	-	1,784
Succeeding year	198,568	-	198,568
<b>Total assets</b>	<b>\$ 339,873</b>	<b>129,691</b>	<b>469,564</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 752	-	752
Early retirement payable	80,000	-	80,000
Deferred revenue:			
Succeeding year property tax	198,568	-	198,568
Total liabilities	279,320	-	279,320
Fund balances:			
Restricted for:			
Management levy purposes	60,553	-	60,553
Student activities	-	129,691	129,691
Total fund balances	60,553	129,691	190,244
<b>Total liabilities and fund balances</b>	<b>\$ 339,873</b>	<b>129,691</b>	<b>469,564</b>

See accompanying independent auditor's report.

## Schedule 2

**North Mahaska Community School District**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**Year ended June 30, 2011**

	Special Revenue Funds		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 176,241	-	176,241
Other	7,459	322,209	329,668
State sources	75	-	75
Total revenues	183,775	322,209	505,984
Expenditures:			
Current:			
Instruction:			
Regular instruction	104,776	-	104,776
Other instruction	-	315,624	315,624
Support Services:			
Student services	250	-	250
Instructional staff services	250	-	250
Administration services	9,526	-	9,526
Operation and maintenance of plant services	41,432	-	41,432
Transportation services	13,690	-	13,690
Non-instructional program	5,000	-	5,000
Total expenditures	174,924	315,624	490,548
Excess (deficiency) of revenues over (under) expenditures	8,851	6,585	15,436
Fund balance beginning of year, as restated	51,702	123,106	174,808
Fund balance end of year	\$ 60,553	129,691	190,244

See accompanying independent auditor's report.

## Schedule 3

**North Mahaska Community School District**  
**Combining Balance Sheet**  
**Capital Project Accounts**  
**June 30, 2011**

		Capital Projects		
		Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>				
Cash and pooled investments		\$ 739,334	69,246	808,580
Receivables:				
Property tax:				
Current year delinquent		-	589	589
Succeeding year		-	60,680	60,680
Accounts		45,034	-	45,034
Due from other governments		105,388	-	105,388
<b>Total assets</b>		<b>\$ 889,756</b>	<b>130,515</b>	<b>1,020,271</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts Payable		\$ 2,547	-	2,547
Deferred revenue:				
Succeeding year property tax		-	60,680	60,680
Total liabilities		2,547	60,680	63,227
Fund balances:				
Restricted for:				
School infrastructure		887,209	-	887,209
Physical plant and equipment		-	69,835	69,835
Total fund balances		887,209	69,835	957,044
<b>Total liabilities and fund balances</b>		<b>\$ 889,756</b>	<b>130,515</b>	<b>1,020,271</b>

See accompanying independent auditor's report.

## Schedule 4

**North Mahaska Community School District**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Capital Project Accounts**  
**Year ended June 30, 2011**

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 531,121	58,191	589,312
Other	95,041	37	95,078
State sources	-	25	25
Total revenues	626,162	58,253	684,415
Expenditures:			
Current:			
Support Services:			
Instructional staff	3,515	-	3,515
Transportation	-	76,438	76,438
Other Expenditures			
Facilities acquisition	73,457	1,800	75,257
Total expenditures	76,972	78,238	155,210
Excess (deficiency) of revenues over (under) expenditures	549,190	(19,985)	529,205
Other financing sources (uses):			
Operating transfers out	(378,571)	-	(378,571)
Total other financing sources (uses)	(378,571)	-	(378,571)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	170,619	(19,985)	150,634
Fund balances beginning of year, as restated	716,590	89,820	806,410
Fund balances end of year	\$ 887,209	69,835	957,044

See accompanying independent auditor's report.

## Schedule 5

**North Mahaska Community School District**  
**Schedule of Changes in Special Revenue Funds, Student Activity Accounts**  
**Year ended June 30, 2011**

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Sports Physicals	\$ 1,065	1,580	1,209	1,436
Drama - Plays	396	614	942	68
School Musical	154	-	75	79
Speech	874	270	437	707
Music Resale	-	1,572	1,572	-
Band Donations	-	74	74	-
Band Uniform	1,986	673	1,472	1,187
Vocal	1,738	636	65	2,309
Flags	221	-	81	140
Instrumental	473	1,415	1,613	275
Pop	6,603	2,317	2,518	6,402
District Football	892	-	100	792
Change	376	-	-	376
Athletic Resale	1,189	240	-	1,429
FB Cheerleaders	788	613	842	559
Baseball Concessions	6,481	4,694	7,284	3,891
Softball Concessions	3,025	5,504	6,309	2,220
Student Trainers	72	-	68	4
BB Cheerleaders	105	-	94	11
Athletic Misc	4,022	37,786	23,416	18,392
WR Cheerleaders	462	-	-	462
Softball	586	348	147	787
Dance Team	1,347	6,201	5,797	1,751
Boys Basketball	1,911	4,753	6,664	-
Boys Basketball - Coach	337	2,325	1,398	1,264
Football - Coach	951	1,285	1,586	650
Football	5,723	11,458	17,181	-
Baseball	470	5,394	5,864	-
Boys Track	-	1,488	1,488	-
Boys Track - Coach	598	270	404	464
Boys Golf	-	1,496	1,496	-
G/B Golf - Coach	230	-	-	230
Boys Wrestling	-	120	120	-
Girls Basketball	5,579	12,342	17,921	-
Girls Volleyball	88	6,448	6,536	-
Volleyball - Coach	2,580	270	531	2,319
Girls Basketball - Coach	248	1,407	1,655	-
Softball	-	6,754	6,754	-
Girls Track	-	3,343	3,343	-
Girls Track - Coach	379	846	365	860
Music Boosters	7,137	6,520	5,893	7,764
Arts and Crafts	5,664	23,632	20,285	9,011
Mat Club	3,470	6,813	6,182	4,101
High School Fundraiser	2,050	748	898	1,900
Elementary Fundraiser	1,186	3,753	4,256	683
Interest	6,575	104	1,590	5,089
Prom Party	908	8,988	9,296	600

## Schedule 5

**North Mahaska Community School District**  
**Schedule of Changes in Special Revenue Funds, Student Activity Accounts**  
**Year ended June 30, 2011**

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Annual	5,074	9,631	8,483	6,222
National Honor Society	538	2,849	3,332	55
Spanish Club - Trip	509	362	227	644
Senior Class Trip	-	635	-	635
FFA - Carleton Meinders Memorial	2,055	-	2,030	25
FFA	331	19,305	19,636	-
FFA Foundation - Scholarship	1,405	1,748	2,100	1,053
FFA - Farm	6,137	10,714	9,290	7,561
Greenhouse	-	3,779	3,779	-
Band Miscellaneous	2,847	7,396	7,630	2,613
Archery Club	1,184	1,068	1,517	735
Band Fundraiser	-	77	77	-
School Fund - Concessions	4,633	21,249	18,580	7,302
Student Council	1,319	1,431	2,240	510
Class of 2013	620	225	3	842
Outdoor Classroom	528	122	650	-
Elementary Miscellaneous	9,733	24,877	20,271	14,339
Class of 2014	390	230	50	570
Rocket Team	82	-	-	82
Class of 2015	200	205	-	405
Class of 2016	-	155	-	155
NM Clay Target Shooters	1,802	9,992	8,729	3,065
Class of 2010	92	-	-	92
Class of 2011	3,868	17,797	20,977	688
Class of 2012	820	13,268	10,202	3,886
Totals	\$ 123,106	322,209	315,624	129,691

See accompanying independent auditor's report.



## Schedule 6

**North Mahaska Community School District**  
**Schedule of Changes in Fiduciary Assets and Liabilities**  
**Agency Funds**  
**Year ended June 30, 2011**

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 2,965	28,909	25,624	6,250
<b>Total assets</b>	<b>\$ 2,965</b>	<b>28,909</b>	<b>25,624</b>	<b>6,250</b>
<b>Liabilities</b>				
Accounts payable	\$ 2,965	28,909	25,624	6,250
<b>Total liabilities</b>	<b>\$ 2,965</b>	<b>28,909</b>	<b>25,624</b>	<b>6,250</b>

See accompanying independent auditor's report.

**North Mahaska Community School District**  
**Schedule of Revenues by Source and Expenditures by Function**  
**All Governmental Funds**  
**For the Last Seven Years**

	Modified Accrual Basis						
	2011	2010	2009	2008	2007	2006	2005
Revenues:							
Local sources:							
Local tax	\$ 2,996,000	2,616,631	2,401,710	2,307,783	2,289,190	2,185,988	2,246,991
Tuition	266,605	214,043	218,320	244,659	250,820	236,039	152,012
Other	544,431	439,368	725,426	394,722	422,997	360,951	334,615
Intermediate sources	7,378	7,201	-	-	-	-	-
State sources	2,504,761	2,257,816	2,575,799	2,621,155	2,487,339	2,306,029	2,136,469
Federal sources	265,400	462,984	193,662	156,835	157,417	169,241	182,276
Total	<u>\$ 6,584,575</u>	<u>5,998,043</u>	<u>6,114,917</u>	<u>5,725,154</u>	<u>5,607,763</u>	<u>5,258,248</u>	<u>5,052,363</u>
Expenditures:							
Instruction:							
Regular	\$ 2,566,141	2,556,376	2,537,679	3,351,499	3,145,711	3,066,755	3,017,607
Special	631,048	644,938	632,572	N/A	N/A	N/A	N/A
Other	667,494	631,619	590,060	N/A	N/A	N/A	N/A
Support services:							
Student	71,253	69,710	82,166	127,220	113,123	106,464	105,674
Instructional staff	275,325	200,754	207,076	214,305	190,871	144,781	45,525
Administration	557,737	543,325	526,528	504,869	515,313	476,634	435,102
Operation and maintenance of plant	373,717	382,440	397,334	329,219	333,837	382,664	313,864
Transportation	346,421	266,134	316,929	324,807	259,081	245,324	254,032
Non-instructional programs	5,000	8,115	4,500	4,500	4,500	4,000	6,575
Other expenditures:							
Facilities acquisition	75,257	49,994	814,603	100,541	84,957	350,575	104,947
Long-term debt:							
Principal	365,000	330,000	320,000	305,000	295,000	285,000	285,000
Interest and other charges	27,389	98,007	82,764	95,375	106,873	117,012	126,498
AEA flowthrough	216,272	213,983	200,559	188,083	176,431	162,157	153,340
Total	<u>\$ 6,178,054</u>	<u>5,995,395</u>	<u>6,712,770</u>	<u>5,545,418</u>	<u>5,225,697</u>	<u>5,341,366</u>	<u>4,848,164</u>

See accompanying independent auditor's report.



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**Van Maanen, Sietstra & Meyer, PC**

CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

To the Board of Education of North Mahaska Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the North Mahaska Community School District, New Sharon, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents and have issued our report thereon dated October 17, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered North Mahaska Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Mahaska Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of North Mahaska Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying Schedule of Findings as item (A) to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether North Mahaska Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

North Mahaska Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit North Mahaska Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of North Mahaska Community School District and other parties to whom North Mahaska Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of North Mahaska Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Van Maanen, Sietstra & Meyer, PC*

Van Maanen, Sietstra & Meyer, PC  
Certified Public Accountants

October 17, 2011

**Findings Related to the Financial Statements:**  
**INTERNAL CONTROL DEFICIENCY:**

- A      Segregation of Duties – The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure adequate internal control. This is not unusual in Districts of your size, but the Board should constantly be aware of this condition and realize that concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in the Board's knowledge of matters relating to the District's operations.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters noted.

**Other Findings Related to Required Statutory Reporting:**

- 1      Certified Budget - Expenditures for the year ended June 30, 2011, did not exceed the certified budget amounts.
- 2      Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- 3      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 4      Business Transactions – No business transactions between the District and District officials or employees were noted.
- 5      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- 6      Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- 7      Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- 8      Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- 9      Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- 10     Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- 11     Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.
- 12     Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

**North Mahaska Community School District**  
**Schedule of Findings**  
**Year Ended June 30, 2011**

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Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	716,590
Revenues/transfers in:			
Sales tax revenues	\$	531,121	
Other local revenues		95,041	626,162
			<u>1,342,752</u>
Expenditures/transfers out			
Equipment		13,052	
Other		63,920	
Transfers to other funds:			
Debt service fund		378,571	455,543
			<u>887,209</u>
Ending balance		\$	<u>887,209</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Rate of Levy Reduction Per \$1,000 of Taxable    Property Tax Valuation            Dollars Reduced	
Debt service levy	\$	3.01093    531,121